

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Township of Mt. Forest	County Bay
Fiscal Year End March 31, 2008	Opinion Date June 4, 2008	Date Audit Report Submitted to State June 9, 2008	

We affirm that:

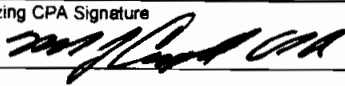
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                                  | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Fire Operating Fund	18
Budgetary Comparison Schedule – Fire Equipment Fund	19
Budgetary Comparison Schedule – Residential Trash Collection Fund	20
Other supporting information:	
General Fund Expenditures by Detailed Account	21-22
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	23
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	24

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 4, 2008

To the Township Board  
Township of Mt. Forest  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Mt. Forest, Bay County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Mt. Forest's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Mt. Forest, Bay County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Mt. Forest covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$561,001.37 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$332,514.43. Governmental activities had a \$28,357.91 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Fire Operating Fund, the Fire Equipment Fund, and the Residential Trash Collection Fund.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan  
CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	271 659
Capital Assets	<u>486 062</u>
<b>Total Assets</b>	<b><u>757 721</u></b>
Current Liabilities	11 440
Non-current Liabilities	<u>185 280</u>
<b>Total Liabilities</b>	<b><u>196 720</u></b>
Net Assets:	
Invested in Capital Assets	300 782
Unrestricted	<u>260 219</u>
<b>Total Net Assets</b>	<b><u>561 001</u></b>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	97 825
General Revenues:	
Property Taxes	114 858
State Revenue Sharing	105 245
Interest	8 447
Miscellaneous	<u>6 139</u>
<b>Total Revenues</b>	<b><u>332 514</u></b>
Program Expenses:	
Legislative	4 957
General Government	84 986
Public Safety	57 949
Public Works	126 520
Recreation and Culture	1 133
Other	17 220
Interest on Long-Term Debt	<u>11 391</u>
<b>Total Expenses</b>	<b><u>304 156</u></b>
<b>Increase in Net Assets</b>	<b>28 358</b>
<b>Net Assets, April 1</b>	<b><u>532 643</u></b>
<b>Net Assets, March 31</b>	<b><u>561 001</u></b>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Fire Operating Fund, the Fire Equipment Fund, and the Residential Trash Collection Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$66,334.98 and building and grounds which incurred expenses of \$25,166.38.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities did not invest in capital assets this year.

The Township paid \$30,600.70 in principal on long-term debt this year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Shirley Kowalczyk (989) 879-2000 or the Township Clerk, Penny Schwerin (989) 879-7575.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	53 024 73
Investments	196 995 85
Taxes receivable	<u>21 638 74</u>
Total Current Assets	<u>271 659 32</u>
NON-CURRENT ASSETS:	
Capital Assets	720 219 00
Less: Accumulated Depreciation	<u>(234 157 44)</u>
Total Non-current Assets	<u>486 061 56</u>
TOTAL ASSETS	<u><u>757 720 88</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>11 439 44</u>
Total Current Liabilities	<u>11 439 44</u>
NON-CURRENT LIABILITIES:	
Contracts payable	<u>185 280 07</u>
Total Non-current Liabilities	<u>185 280 07</u>
Total Liabilities	<u>196 719 51</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	300 781 49
Unrestricted	<u>260 219 88</u>
Total Net Assets	<u>561 001 37</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>757 720 88</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MT. FOREST  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	4 957 44	-	(4 957 44)
General government	84 985 85	22 549 17	(62 436 68)
Public safety	57 948 54	11 880 00	(46 068 54)
Public works	126 520 15	63 396 00	(63 124 15)
Culture and recreation	1 133 01	-	(1 133 01)
Other	17 220 01	-	(17 220 01)
Interest on long-term debt	11 391 52	-	(11 391 52)
<b>Total Governmental Activities</b>	<u>304 156 52</u>	<u>97 825 17</u>	<u>(206 331 35)</u>
<b>General Revenues:</b>			
Property taxes			114 858 24
State revenue sharing			105 245 13
Interest			8 446 51
Miscellaneous			<u>6 139 38</u>
<b>Total General Revenues</b>			<u>234 689 26</u>
<b>Change in net assets</b>			28 357 91
<b>Net assets, beginning of year</b>			<u>532 643 46</u>
<b>Net Assets, End of Year</b>			<u>561 001 37</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
<u>Assets</u>			
Cash in bank	10 524 15	-	20 831 89
Investments	56 322 18	97 758 98	8 135 80
Taxes receivable	6 177 82	4 482 15	2 987 71
Due from other funds	<u>10 562 03</u>	<u>-</u>	<u>-</u>
Total Assets	<u>83 586 18</u>	<u>102 241 13</u>	<u>31 955 40</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>11 439 44</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>11 439 44</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>72 146 74</u>	<u>102 241 13</u>	<u>31 955 40</u>
Total fund equity	<u>72 146 74</u>	<u>102 241 13</u>	<u>31 955 40</u>
Total Liabilities and Fund Equity	<u>83 586 18</u>	<u>102 241 13</u>	<u>31 955 40</u>

The accompanying notes are an integral part of these financial statements.

<u>Residential Trash Collection</u>	<u>Total</u>
11 106 66	42 462 70
34 778 89	196 995 85
7 991 06	21 638 74
<u>-</u>	<u>10 562 03</u>
<u>53 876 61</u>	<u>271 659 32</u>
<u>-</u>	<u>11 439 44</u>
<u>-</u>	<u>11 439 44</u>
<u>53 876 61</u>	<u>260 219 88</u>
<u>53 876 61</u>	<u>260 219 88</u>
<u>53 876 61</u>	<u>271 659 32</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	260 219 88
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	720 219 00
Accumulated depreciation	(234 157 44)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Contracts payable	<u>(185 280 07)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>561 001 37</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended March 31, 2008

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
Revenues:			
Property taxes	37 851 38	46 206 36	30 800 50
Licenses and permits	1 765 00	-	-
State revenue sharing	105 245 13	-	-
Charges for services – PTAF	13 432 17	-	-
Charges for service:			
Hall rental	6 277 00	-	-
Cemetery	1 075 00	-	-
Interest	6 822 65	-	1 092 07
Special assessments	11 880 00	-	-
Miscellaneous	<u>3 376 00</u>	<u>861 43</u>	<u>1 901 95</u>
Total revenues	<u>187 724 33</u>	<u>47 067 79</u>	<u>33 794 52</u>
Expenditures:			
Legislative:			
Township Board	4 957 44	-	-
General government:			
Supervisor	6 792 00	-	-
Elections	2 273 26	-	-
Assessor	8 423 52	-	-
Clerk	11 731 27	-	-
Board of Review	1 080 00	-	-
Treasurer	12 208 36	-	-
Building and grounds	25 166 38	-	-
Cemetery	2 941 50	-	-
Office supplies	4 982 97	-	-
Unallocated	5 286 59	-	-
Public safety:			
Liquor law enforcement	385 00	-	-
Fire protection	-	23 301 99	996 57
Ambulance	10 562 03	-	-
Zoning	4 394 19	-	-
Public works:			
Highways and streets	66 334 98	-	-
Street lights	843 51	-	-
Sanitation	-	-	-
Culture and recreation:			
Recreation	1 133 01	-	-
Other:			
Insurance	10 925 00	-	-
Pension	6 295 01	-	-
Debt service	<u>9 509 34</u>	<u>-</u>	<u>32 482 88</u>
Total expenditures	<u>196 225 36</u>	<u>23 301 99</u>	<u>33 479 45</u>
Excess (deficiency) of revenues over expenditures	(8 501 03)	23 765 80	315 07
Fund balances, April 1	<u>80 647 77</u>	<u>78 475 33</u>	<u>31 640 33</u>
Fund Balances, March 31	<u><u>72 146 74</u></u>	<u><u>102 241 13</u></u>	<u><u>31 955 40</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Residential Trash Collection</u>	<u>Total</u>
-	114 858 24
-	1 765 00
-	105 245 13
-	13 432 17
-	6 277 00
-	1 075 00
531 79	8 446 51
63 396 00	75 276 00
-	6 139 38
<u>63 927 79</u>	<u>332 514 43</u>
-	4 957 44
-	6 792 00
-	2 273 26
-	8 423 52
-	11 731 27
-	1 080 00
-	12 208 36
-	25 166 38
-	2 941 50
-	4 982 97
-	5 286 59
-	385 00
-	24 298 56
-	10 562 03
-	4 394 19
-	66 334 98
-	843 51
59 341 66	59 341 66
-	1 133 01
-	10 925 00
-	6 295 01
-	41 992 22
<u>59 341 66</u>	<u>312 348 46</u>
4 586 13	20 165 97
<u>49 290 48</u>	<u>240 053 91</u>
<u>53 876 61</u>	<u>260 219 88</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 20 165 97

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(22 408 76)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>30 600 70</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>28 357 91</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Mt. Forest, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Mt. Forest. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 3.4016 mills, and the taxable value was \$33,770,305.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	15-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>53 024 73</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	53 024 73
Uninsured and Uncollateralized	-
Total Deposits	<u>53 024 73</u>

The Township had the following investments at March 31, 2008:

Nonrisk-categorized financial institution pooled funds	<u>196 995 85</u>
Total	<u>196 995 85</u>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. Funds comply with the investment authority noted above.

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land	45 000 00	-	-	45 000 00
Building	230 000 00	-	-	230 000 00
Equipment	445 219 00	-	-	445 219 00
<b>Total</b>	<b>720 219 00</b>	<b>-</b>	<b>-</b>	<b>720 219 00</b>
Accumulated Depreciation	(211 748 68)	(22 408 76)	-	(234 157 44)
<b>Net Capital Assets</b>	<b>508 470 32</b>	<b>(22 408 76)</b>	<b>-</b>	<b>486 061 56</b>

**Note 5 – Changes in General Long-Term Debt**

A summary of changes in general long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Fire truck contract payable – 2006	69 900 99	-	8 587 84	61 313 15
Fire truck contract payable – 2002	87 407 07	-	15 695 74	71 711 33
Building contract payable	58 572 71	-	6 317 12	52 255 59
<b>Totals</b>	<b>215 880 77</b>	<b>-</b>	<b>30 600 70</b>	<b>185 280 07</b>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 6 – Fire Truck Contract Payable – 2006**

On June 20, 2006, the Township purchased a new 2006 Pierre International Pumper Fire Truck for \$165,587.00. The purchase was financed with an installment agreement requiring an initial payment of \$50,000.00, one additional payment of \$50,000.00, and seven annual payments of \$12,075.90 including interest at the rate of 5.00% per annum. As of March 31, 2008, the outstanding principal balance was \$61,313.15.

**Note 7 – Fire Truck Contract Payable – 2002**

On April 17, 2002, the Township purchased a new 2002 Pierre International Fire Truck for \$209,635.00. The purchase was financed with an installment agreement requiring an initial payment of \$55,000.00 and ten annual payments of \$20,406.98 including interest at the rate of 5.39% per annum. As of March 31, 2008, the outstanding principal balance was \$71,711.33.

**Note 8 – Building Contract Payable**

On September 22, 1998, the Township obtained financing in the amount of \$99,500.00 to partially fund the construction of an addition to the Township hall. The installment purchase agreement requires fifteen annual payments of principal and interest at the rate of 5.45% per annum. As of March 31, 2005, the outstanding principal balance was \$52,255.59.

**Note 9 – Pension Plan**

The Township has a retirement plan covering all full-time employees of the Township. Under the plan, the Township contributes amounts based on the employee's annual earnings for the purchase of annuities. Employees may contribute an additional 10% of their compensation on a voluntary basis. The Township's retirement payments were \$6,295.01 during the fiscal year ended March 31, 2008.

**Note 10 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 11 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 12 – Building Permits**

The Township of Mt. Forest does not issue building permits. Building permits are issued by an organization named "Township Code Enforcement."

**Note 13 – Budget Variances**

During the fiscal year ended March 31, 2008, the Township incurred the following budget variances:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General:			
Liquor law enforcement	330 00	385 00	55 00
Ambulance	-	10 562 03	10 562 03
Residential Trash Collection:			
Sanitation	59 097 94	59 341 66	243 72

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	38 291 00	38 291 00	37 851 38	(439 62)
Licenses and permits	1 540 00	1 540 00	1 765 00	225 00
State revenue sharing	97 330 00	97 330 00	105 245 13	7 915 13
Charges for services:				
Property tax administration	11 400 00	11 400 00	13 432 17	2 032 17
Hall rental	8 000 00	8 000 00	6 277 00	(1 723 00)
Cemetery	1 500 00	1 500 00	1 075 00	(425 00)
Interest	6 000 00	6 000 00	6 822 65	822 65
Special assessments	-	-	11 880 00	11 880 00
Miscellaneous	5 000 00	5 000 00	3 376 00	(1 624 00)
Total revenues	<u>169 061 00</u>	<u>169 061 00</u>	<u>187 724 33</u>	<u>18 663 33</u>
Expenditures:				
Legislative:				
Township Board	5 000 00	5 000 00	4 957 44	(42 56)
General government:				
Supervisor	7 000 00	7 000 00	6 792 00	(208 00)
Elections	3 500 00	3 500 00	2 273 26	(1 226 74)
Assessor	9 000 00	9 000 00	8 423 52	(576 48)
Clerk	12 000 00	12 000 00	11 731 27	(268 73)
Board to Review	1 500 00	1 500 00	1 080 00	(420 00)
Treasurer	12 500 00	12 500 00	12 208 36	(291 64)
Building and grounds	30 000 00	30 000 00	25 166 38	(4 833 62)
Cemetery	6 000 00	6 000 00	2 941 50	(3 058 50)
Office supplies	10 000 00	10 000 00	4 982 97	(5 017 03)
Unallocated	12 907 25	12 907 25	5 286 59	(7 620 66)
Public safety:				
Liquor law enforcement	330 00	330 00	385 00	55 00
Ambulance	-	-	10 562 03	10 562 03
Zoning	6 000 00	6 000 00	4 394 19	(1 605 81)
Public works:				
Highways and streets	78 000 00	78 000 00	66 334 98	(11 665 02)
Street lights	1 100 00	1 100 00	843 51	(256 49)
Culture and recreation:				
Recreation	5 000 00	5 000 00	1 133 01	(3 866 99)
Other:				
Insurance	18 000 00	18 000 00	10 925 00	(7 075 00)
Pension	7 000 00	7 000 00	6 295 01	(704 99)
Debt service	10 000 00	10 000 00	9 509 34	(490 66)
Total expenditures	<u>234 837 25</u>	<u>234 837 25</u>	<u>196 225 36</u>	<u>(38 611 89)</u>
Excess (deficiency) of revenues over expenditures	(65 776 25)	(65 776 25)	(8 501 03)	57 275 22
Fund balance, April 1	<u>65 776 25</u>	<u>65 776 25</u>	<u>80 647 77</u>	<u>14 871 52</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>72 146 74</u>	<u>72 146 74</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	46 742 00	46 742 00	46 206 36	(535 64)
Miscellaneous	-	-	861 43	861 43
Total revenues	<u>46 742 00</u>	<u>46 742 00</u>	<u>47 067 79</u>	<u>325 79</u>
Expenditures:				
Public safety:				
Fire protection	<u>120 705 78</u>	<u>120 705 78</u>	<u>23 301 99</u>	<u>(97 403 79)</u>
Total expenditures	<u>120 705 78</u>	<u>120 705 78</u>	<u>23 301 99</u>	<u>(97 403 79)</u>
Excess (deficiency) of revenues over expenditures	(73 963 78)	(73 963 78)	23 765 80	97 729 58
Fund balance, April 1	<u>73 963 78</u>	<u>73 963 78</u>	<u>78 475 33</u>	<u>4 511 55</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>102 241 13</u>	<u>102 241 13</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE EQUIPEMENT FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	31 157 70	31 157 70	30 800 50	(357 20)
Interest	-	-	1 092 07	1 092 07
Miscellaneous	-	-	1 901 95	1 901 95
Total revenues	<u>31 157 70</u>	<u>31 157 70</u>	<u>33 794 52</u>	<u>2 636 82</u>
Expenditures:				
Public safety:				
Fire protection	1 000 00	1 000 00	996 57	(3 43)
Debt service	<u>58 076 87</u>	<u>58 076 87</u>	<u>32 482 88</u>	<u>(25 593 99)</u>
Total expenditures	<u>59 076 87</u>	<u>59 076 87</u>	<u>33 479 45</u>	<u>(25 597 42)</u>
Excess (deficiency) of revenues over expenditures	(27 919 17)	(27 919 17)	315 07	28 234 24
Fund balance, April 1	<u>27 919 17</u>	<u>27 919 17</u>	<u>31 640 33</u>	<u>3 721 16</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>31 955 40</u>	<u>31 955 40</u>



TOWNSHIP OF MT. FOREST  
Bay County, Michigan

**BUDGETARY COMPARISON SCHEDULE – RESIDENTIAL TRASH COLLECTION FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	531 79	531 79
Special assessments	17 485 10	17 485 10	63 396 00	45 910 90
Total revenues	17 485 10	17 485 10	63 927 79	46 442 69
Expenditures:				
Legislative:				
Public works:				
Sanitation	59 097 94	59 097 94	59 341 66	243 72
Total expenditures	59 097 94	59 097 94	59 341 66	243 72
Excess (deficiency) of revenues over expenditures	(41 612 84)	(41 612 84)	4 586 13	46 198 97
Fund balance, April 1	41 612 84	41 612 84	49 290 48	7 677 64
Fund Balance, March 31	-	-	53 876 61	53 876 61

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Township Board:	
Salaries	4 800 00
Mileage	157 44
	<u>4 957 44</u>
Supervisor:	
Salary	6 600 00
Mileage	192 00
	<u>6 792 00</u>
Elections:	
Miscellaneous	2 273 26
	<u>2 273 26</u>
Assessor:	
Salary	8 423 52
	<u>8 423 52</u>
Clerk:	
Salary – Clerk	9 900 00
Salary – Deputy Clerk	900 00
Mileage	931 27
	<u>11 731 27</u>
Board of Review	<u>1 080 00</u>
Treasurer:	
Salary – Treasurer	10 500 00
Salary – Deputy Treasurer	720 00
Mileage	988 36
	<u>12 208 36</u>
Building and grounds:	
Operations	<u>25 166 38</u>
Cemetery:	
Repairs and maintenance	<u>2 941 50</u>
Office supplies	<u>4 982 97</u>
Unallocated:	
Payroll taxes	1 876 17
Professional services	2 040 00
Dues	916 92
Miscellaneous	453 50
	<u>5 286 59</u>
Liquor law enforcement:	
Wages	<u>385 00</u>
Ambulance:	
Contracted services	<u>10 562 03</u>
Zoning:	
Per diem and expenses	<u>4 394 19</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Highways and streets:	
Repairs and maintenance	<u>66 334 98</u>
Street lighting:	
Utilities	<u>843 51</u>
Recreation:	
Repairs and maintenance	<u>1 133 01</u>
Insurance	<u>10 925 00</u>
Pension	<u>6 295 01</u>
Debt services	<u>9 509 34</u>
Total Expenditures	<u>196 225 36</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in bank	1 012 63	1 086 845 83	1 077 296 43	10 562 03
Total Assets	<u>1 012 63</u>	<u>1 086 845 83</u>	<u>1 077 296 43</u>	<u>10 562 03</u>
<u>Liabilities</u>				
Due to other funds	1 012 63	188 859 96	179 310 56	10 562 03
Due to other units	-	897 985 87	897 985 87	-
Total Liabilities	<u>1 012 63</u>	<u>1 086 845 83</u>	<u>1 077 296 43</u>	<u>10 562 03</u>

TOWNSHIP OF MT. FOREST  
Bay County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2005

Cash in bank – beginning of year	<u>1 012 63</u>
Cash receipts:	
Property tax	1 076 043 73
Animal licenses	251 00
Property tax administration fees	9 988 35
Interest	<u>562 75</u>
Total cash receipts	<u>1 086 845 83</u>
Total beginning balance and cash receipts	<u>1 087 858 46</u>
Cash disbursements:	
Township General Fund	54 363 74
Township Fire Operating Fund	41 727 14
Township Fire Equipment Fund	27 814 74
Township Residential Trash Collection Fund	55 404 94
Bay County	498 192 09
Bay Metro Transit Authority	22 794 79
Delta College	62 290 97
Bay Arenac Intermediate School District	150 130 49
Pinconning Area School District	164 078 42
Refunds	<u>499 11</u>
Total cash disbursements	<u>1 077 296 43</u>
Cash in Bank – End of Year	<u>10 562 03</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 4, 2008

To the Township Board  
Township of Mt. Forest  
Bay County, Michigan

We have audited the financial statements of the Township of Mt. Forest for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Mt. Forest in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Mt. Forest  
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants